

Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 00385 01 OF 03 071803Z

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 /087 W
-----071853Z 106316 /46

R 071752Z JAN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4530

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

LIMITED OFFICIAL USE SECTION 01 OF 03 BONN 00385

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A

TAGS: EFIN, ECON, GW

SUBJECT: ECONOMIC INDICATORS SEND UNCERTAIN SIGNALS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 00385 01 OF 03 071803Z

1. SUMMARY -- PARADOXICALLY, WHILE NOVEMBER INDUSTRIAL
PRODUCTION DROPPED 4 PERCENT (S.A.A.R.), AND THE NEW
ORDERS DATA IS APPARENTLY NOT ENCOURAGING, THE FOURTH
QUARTER GNP MAY BE THE STRONGEST OF THE YEAR.
PRELIMINARY FULL YEAR 1976 REAL GNP GROWTH HAS
JUST BEEN PRELIMINARILY ESTIMATED BY THE FRG TO HAVE

BEEN 5.6 PERCENT. THIS EXTRAPOLATES TO AN 8 PERCENT (S.A.A.R.) FOURTH QUARTER. IN THE FACE OF SUCH EVIDENCE, ARGUMENTS FOR MORE STIMULATION MAY LOSE THEIR EFFECTIVENESS. HOWEVER, THE 2 PERCENT GREATER NUMBER OF WORKING DAYS IN THE FOURTH QUARTER AS COMPARED TO THE THIRD GAVE A SUBSTANTIAL BOOST TO THE GNP PERFORMANCE PICTURE, BUT NOT TO THE INDUSTRIAL PRODUCTION, WHICH INDEX IS ADJUSTED FOR SUCH VARIATIONS. END SUMMARY.

2. THE INDUSTRIAL PRODUCTION INDEX (SEASONALLY ADJUSTED) DISAPPOINTED SOME OBSERVERS WHEN IT DROPPED TO 112 FROM THE DOWNWARD-REVISED OCTOBER FIGURE OF 113. HOWEVER, THE BIMONTHLY COMPARISON OF OCTOBER-NOVEMBER WITH AUGUST-SEPTEMBER REFLECTS POSITIVE 5.3 PERCENT (S.A.A.R.) GROWTH (SEE TABLE I). THIS IS NEAR THE AVERAGE BIMONTHLY GROWTH RATE OF 5.8 PERCENT FOR THE PREVIOUS TEN MONTHS OF 1976 AND A GOOD DEAL BETTER THAN THE JULY-SEPTEMBER PAUSE PERIOD WHEN ZERO AND NEGATIVE RATES PREVAILED. WHETHER THE NOVEMBER DECLINE SIGNALS A STUMBLE IN THE RECOVERY FROM THE PAUSE WILL NOT BE CLEAR UNTIL THE DECEMBER AND PERHAPS JANUARY FIGURES BECOME AVAILABLE SINCE ONE MONTH'S DATA IS TOO SLIM A BASE UPON WHICH TO DRAW SOUND CONCLUSIONS (THEREFORE THE BIMONTHLY ANALYTICAL APPROACH).

3. AN ECONOMICS MINISTRY SOURCE TOLD US THAT ADJUSTMENT FOR WORKING DAY VARIATIONS (4.6 PERCENT MORE WORKING DAYS IN NOVEMBER THIS YEAR AS COMPARED TO NOVEMBER LAST YEAR) WHICH THE INDUSTRIAL SERIES (ALSO THE NEW ORDERS INDEX) LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 00385 01 OF 03 071803Z

INCORPORATES MAY HAVE TOO SEVERELY REDUCED THE INDEX NUMBER AND THEREFORE IT MAY NOT BE A RELIABLE INDICATOR OF WHAT IS HAPPENING. HE CITED THE FACT THAT A YEAR-OVER-YEAR COMPARISON OF THE NON-ADJUSTED PRODUCTION SERIES (NOT PUBLISHED) REFLECTED 8.6 PERCENT GROWTH IN NOVEMBER.

4. ALTHOUGH THE DECEMBER INDUSTRIAL PRODUCTION DATA WILL NOT BE AVAILABLE FOR ANOTHER MONTH, AND THE FOURTH QUARTER GNP FOR ANOTHER TWO MONTHS, THE FEDERAL STATISTICAL OFFICE HAS JUST RELEASED ITS PRELIMINARY CALCULATION OF REAL GNP GROWTH FOR THE YEAR 1976 AS A WHOLE: 5.6 PERCENT. PROVIDED THERE WILL BE NO REVISIONS OF THE GNP DATA FOR THE PREVIOUS THREE-QUARTERS, THIS WOULD IMPLY A VERY STRONG FOURTH QUARTER PERFORMANCE OF ABOUT 8 PERCENT (S.A.A.R.). THE REAL GNP GROWTH RATES IN THE SAME TERMS FOR THE FIRST THROUGH THIRD QUARTERS OF 1976 WERE 6.5, 2.4, AND 1.9 PERCENT, RESPECTIVELY. THE RECOVERY, THEREFORE, NOT ONLY

CONTINUES BUT BY THIS MEASURE, RESULTS IN A MEASURABLY
BETTER GNP GROWTH RATE AT YEAR'S END THAN THE MIDDLE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 00385 02 OF 03 071836Z
ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 /087 W
-----071853Z 106621 /46

R 071752Z JAN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4531
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO BRUSSELS
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

LIMITED OFFICIAL USE SECTION 02 OF 03 BONN 00385

AND PERHPAS EVEN THE BEGINNING OF THE YEAR. THIS BEING
THE CASE, THERE IS CAUSE FOR OPTIMISM AND LESS MOTIVATION
TO PUSH THE STIMULATION BUTTON. SOMEWHAT CONFIRMING
THIS ANALYSIS IS THE CONTINUING CYCLICAL IMPROVEMENT
PORTRAYED IN THE SEASONALLY ADJUSTED UNEMPLOYMENT DATA
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 00385 02 OF 03 071836Z

WHICH SHOWED A CONTINUING, ALBEIT SLOW, REDUCTION IN THE NUMBER OF JOBLESS. THIS FIGURE DROPPED 7,000 IN DECEMBER TO 1,010,000. THE FOURTH QUARTER AVERAGE NUMBER OF UNEMPLOYED WAS THEREFORE 1,019,000 COMPARED TO THE THIRD QUARTER AVERAGE OF 1,048,333. NO OTHER DECEMBER MEASURE OF ECONOMIC ACTIVITY IS YET AVAILABLE.

5. THE OTHERWISE INEXPLICABLE IMPLIED STRONG FOURTH QUARTER GNP PERFORMANCE UNDOUBTEDLY DERIVES FROM THE 2 PERCENT MORE WORKING DAYS IN THE FOURTH QUARTER AS COMPARED TO THE THIRD QUARTER. THE BUNDESBANK QUARTERLY GNP SERIES DOES NOT ADJUST FOR THIS FACTOR, WHEREAS THEIR INDUSTRIAL PRODUCTION SERIES DOES. IT SEEMS LIKELY, EVEN ASSUMING A FLAT DECEMBER PERFORMANCE, THAT THE FOURTH QUARTER INDUSTRIAL PRODUCTION WILL BE AT LEAST 4 PERCENT (S.A.A.R.) UP, AND WITH REMOVAL OF THE WORKING DAY ADJUSTMENT, IT COULD EASILY REACH 8 PERCENT. THEREFORE TO EXTRAPOLATE A SIMILAR FOURTH QUARTER GNP GROWTH RATE IS NOT IMPOSSIBLE.

6. NO PARTICULAR OPTIMISM MAY BE DRAWN, HOWEVER, FROM THE NEW ORDERS DATA, WHICH IS COMMONLY REGARDED AS A LEADING INDICATOR. AS TABLE II REVEALS, THE NOVEMBER TOTAL VOLUME OF NEW ORDERS STAGNATED AT THE SAME LEVEL AS OCTOBER, WHICH WAS DOWN FROM SEPTEMBER. DOMESTIC DEMAND WEAKENED SIGNIFICANTLY WITH THE SEPTEMBER, OCTOBER, NOVEMBER INDEX NUMBERS BEING 104, 103, AND 101, RESPECTIVELY. FOREIGN DEMAND STAGNATED IN NOVEMBER AT OCTOBER'S LEVEL. THERE ARE, HOWEVER, SERIOUS INCONSISTENCIES IN THIS ADVANCE DATE WHICH OUR ECONOMICS MINISTRY SOURCE (WHO OBTAINED IT FROM THE BUNDESBANK) COULD NOT CLARIFY. IF THE 75 PERCENT-WEIGHTED DOMESTIC ORDERS INDEX DECLINED 2 POINTS AND THE FOREIGN ORDERS REMAINED STABLE IN NOVEMBER, AS IS INDICATED, THE OVERALL INDEX COULD NOT HAVE REMAINED STATIONARY, BUT SHOULD

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 00385 02 OF 03 071836Z

HAVE DECLINED. CONVERSELY, IF THE TOTAL VOLUME INDEX NUMBER IS CORRECT, THE DOMESTIC INDEX NUMBER GIVEN IS LIKELY WRONG. DUE TO THIS UNCERTAINTY, NO CLEAR ANALYSIS IS POSSIBLE. SUCH SUBSEQUENT CLARIFICATION AS IS RECEIVED WILL BE TRANSMITTED TO THE DEPARTMENT.

7. PERTINENT TABLES FOLLOW:

TABLE I

INDUSTRIAL PRODUCTION-SEASONALLY ADJUSTED (1970- 100)

PERCENT INCREASE (ANNUALIZED) FOR
TWO MONTH PERIOD ENDING IN MONTH
INDEX CITED COMPARED WITH PREVIOUS TWO
1976 NUMBER MONTH PERIOD

JUNE	113	8.2
JULY	110	0.0
AUG	111	-5.3
SEPT	112	0.0
OCT.	113	10.9
(REVISED)		
NOV.	112	5.3

TABLE II

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 00385 03 OF 03 071814Z

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /087 W

-----071853Z 106427 /46

R 071752Z JAN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4532

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN
 AMCONSUL DUSSELDORF
 AMCONSUL HAMBURG
 AMCONSUL STUTTGART
 CINC USAFE RAMSTEIN
 CINC USAREUR HEIDELBERG
 CINC EUR VAIHINGEN

LIMITED OFFICIAL USE SECTION 03 OF 03 BONN 00385

NEW ORDERS VOLUME INDEX
 SEASONALLY ADJUSTED (1970-100)

1976	TOTAL	DOMESTIC	FOREIGN
-----	-----	-----	-----

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 00385 03 OF 03 071814Z

JUNE	110	98	147
JULY (1)	128	98	227
AUG (1)	115	103	161
SEPT	114	104	148
OCT (RE-			
VISED)	112	103	144
NOV	112	101	144

(1) DISTORTED UPWARD DUE TO ABNORMALLY LARGE ORDER FROM
 ABROAD WHICH TO CERTAIN EXTENT SUBSEQUENTLY DOUBLE
 COUNTED IN DOMESTIC SERIES.

TABLE III
 NEW ORDERS VOLUME INDEX -
 INVESTMENT AND CONSUMER GOODS
 SEASONALLY ADJUSTED (1970-100)

	DOMESTIC		FOREIGN	
	-----		-----	
		INVESTMENT	CONSUMER	INVESTMENT
MONTH	GOODS	GOODS	GOODS	GOODS
-----	-----	-----	-----	-----

JUNE	90	101	142	151
JULY (1)	94	97	276	141
AUG (1)	104	101	170	144
SEPT	104	105	144	160
OCT (REVISED)	105	100	139	159
NOV	105	98	144	138

(1) DISTORTED UPWARD DUE TO ABNORMALLY LARGE ORDER FROM
 ABROAD WHICH TO CERTAIN EXTENT SUBSEQUENTLY DOUBLE
 COUNTED IN DOMESTIC SERIES.

STOESSEL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL PRODUCTION, ECONOMIC TRENDS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN00385
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770007-0561
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770173/aaaacloed.tel
Line Count: 333
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 519e30dc-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3647732
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC INDICATORS SEND UNCERTAIN SIGNALS LIMITED OFFICIAL USE LIMITED OFFICIAL USE
TAGS: EFIN, ECON, GE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/519e30dc-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009